

Message Text

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ORIGIN COME-00

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-10 IO-13
ISO-00 STR-07 AGRE-00 CEA-01 CIAE-00 DODE-00
EB-08 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 ITC-01
TRSE-00 USIA-06 SP-02 SOE-02 OMB-01 DOE-11 SIG-03
MMO-01 /161 R

DRAFTED BY COMMERCE: B.MILLER/S.PARHAM:CJF
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STR: A.HUGHES/B.WILSON

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R 020608Z MAR 78
FM SECSTATE WASHDC
TO USMISSION GENEVA
INFO ALL EUROPEAN DIPLOMATIC POSTS
ALL AMERICAN REPUBLIC DIPLOMATIC POSTS
AMEMBASSY ABIDJAN
AMEMBASSY ACCRA
AMEMBASSY ALGIERS
AMEMBASSY ANTANANARIVO
AMEMBASSY ASUNCION
AMEMBASSY BANGKOK
AMEMBASSY BRAZZAVILLE
AMEMBASSY BUDAPEST
AMEMBASSY CAIRO
AMEMBASSY CANBERRA
AMEMBASSY COTONOU
AMEMBASSY COLOMBO
AMEMBASSY DACCA
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AMEMBASSY DAKAR
AMEMBASSY DAR ES SALAAM
AMEMBASSY GABORONE
AMEMBASSY ISLAMABAD
AMEMBASSY JAKARTA
AMEMBASSY KHARTOUM
AMEMBASSY KINSHASA
AMEMBASSY KUALA LUMPUR
AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE
AMEMBASSY LILONGWE
AMEMBASSY LOME
AMEMBASSY LUSAKA
AMEMBASSY MANILA
AMEMBASSY MOGADISCIO
AMEMBASSY NAIROBI
AMEMBASSY NEW DELHI
AMEMBASSY NICOSIA
AMEMBASSY OSLO
AMEMBASSY PARAMARIBO
AMEMBASSY PORT AU PRINCE
AMEMBASSY PORT LOUIS
AMEMBASSY PRAGUE
AMEMBASSY PRETORIA
AMEMBASSY RANGOON
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE
AMEMBASSY SOFIA
AMEMBASSY TEHRAN
AMEMBASSY TEL AVIV
AMEMBASSY TOKYO
AMEMBASSY TUNIS
USINT BAGHDAD
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AMEMBASSY VALLETTA
AMEMBASSY WELLINGTON
AMEMBASSY YAOUNDE
AMEMBASSY MBABANE

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MTN ALSO FOR USMISSION

E.O. 11652: N/A

TAGS: ETRD, GATT, MTN

SUBJECT: DISCUSSION OF U.S. TARIFF AND NTM OFFER

REFERENCES: (A) STATE 17172; (B) STATE 24987; (C) GENEVA
2437; (D) GENEVA 3170

1. IN THE COURSE OF ONGOING MTN DISCUSSIONS WITH OTHER DELEGATIONS IT IS IMPORTANT THAT THE MTN DELEGATION CONTINUE TO EXPLAIN CONDITIONALITY OF U.S. OFFER AND THE OBJECTIVES UNDERLYING IT, DRAWING ON "INTRODUCTION" AND "TECHNICAL EXPLANATION" ACCOMPANYING U.S. OFFER, STATE 17172 REGARDING TABLING OF U.S. OFFER, STATE 24987 REGARDING DEVELOPING COUNTRIES IN THE MTN AND THIS CABLE.

2. WE BELIEVE THAT FOLLOWING POINTS ARE PARTICULARLY IMPORTANT IN ANY EXPLANATION.

A. U.S. OFFER DELIBERATELY DESIGNED TO STRESS THE INTER-RELATIONSHIP OF LIBERALIZATION OF TARIFFS AND NTM'S, AND THAT AGRICULTURE NEGOTIATIONS MUST PROCEED IN PARALLEL WITH REST OF NEGOTIATIONS.

B. U.S. OFFER IS CONDITIONED ON ACHIEVEMENT OF SUBSTANTIALLY LIMITED OFFICIAL USE
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EQUIVALENT COMPETITIVE OPPORTUNITIES; THAT IS, RECEIPT OF ADEQUATE RECIPROCITY IN TERMS OF EXPANDED MARKET ACCESS THROUGH SIGNIFICANT PROGRESS ON REMOVAL OR REDUCTION OF BARRIERS TO TRADE, BOTH TARIFF AND NONTARIFF. IN EVALUATING RECIPROCITY, THE UNITED STATES WILL NOT CREDIT REDUCTION OF FOREIGN TARIFF RATES WHERE ANOTHER IMPEDIMENT TO TRADE IS A NONTARIFF MEASURE WHICH IS NOT LIBERALIZED.

C. REGARDING NTM'S, THE UNITED STATES ATTACHES HIGH PRIORITY TO REDUCTION OR REMOVAL OF THESE BARRIERS TO TRADE AND SUCH LIBERALIZATION IS A SINE QUA NON FOR THE IMPLEMENTATION OF U.S. TARIFF OFFERS. WITH RESPECT TO PRODUCT SPECIFIC NTM'S, THE UNITED STATES HOPES TO ACHIEVE LIBERALIZATION IN CONTEXT OF BILATERAL NEGOTIATIONS. AS FOR MORE GENERAL NTM'S, MAJOR U.S. GOALS ARE MULTILATERAL AGREEMENTS ON SUBSIDIES, GOVERNMENT PROCUREMENT PRACTICES AND STANDARDS. BESIDES ACHIEVING GOALS ON NTM'S, THE UNITED STATES ATTACHES EQUAL IMPORTANCE TO THE CONCLUSION OF A SATISFACTORY INTERNATIONAL CODE ON SAFEGUARDS.

D. REGARDING RECIPROCITY IN GENERAL, THE UNITED STATES WILL TAKE INTO ACCOUNT BILATERAL AND SECTORAL BENEFITS, AS WELL AS OVERALL BALANCE OF ADVANTAGE, IN DECIDING WHAT ADJUSTMENTS TO THE U.S. OFFER MAY BE NECESSARY TO ACHIEVE RECIPROCITY. THE CONCLUSION OF AN AGREEMENT IN GENERAL AND THE IMPLEMENTATION OF SOME OFFERS IN PARTICULAR WILL DEPEND ON SPECIFIC FOREIGN CONCESSIONS NECESSARY TO FULFILL PRIORITY U.S. NEGOTIATING OBJECTIVES. SUCH CONDITIONS WILL BE IDENTIFIED AS EARLY AS POSSIBLE IN COURSE OF ONGOING BILATERAL DISCUSSIONS.

E. WITH REGARD TO MAJOR INDUSTRIAL COUNTRIES, AVERAGE DEPTH OF CUT ON A BILATERAL BASIS SHOULD BE EQUAL OR NEARLY SO TO LIMITED OFFICIAL USE
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FINAL U.S. OFFER. IT WOULD NOT BE IN THE U.S. INTEREST TO

PROVIDE CONCESSIONS WITHOUT RECEIVING FULL RECIPROCITY FOR THEM, OR WITHOUT SECURING COMPETITIVE EXPORT OPPORTUNITIES THROUGH, FOR EXAMPLE, THE ELIMINATION OF TARIFF DISPARITIES, THE ELIMINATION OR REDUCTION OF PREFERENCE MARGINS, OR DEEPER THAN FORMULA CUTS ON OTHER ITEMS OF PARTICULAR INTEREST TO THE UNITED STATES. IN THIS REGARD, THE UNITED STATES IS CURRENTLY PREPARING LISTS OF ITEMS OF EXPORT INTEREST ON WHICH WE WILL CONCENTRATE EFFORTS TO SECURE DUTY REDUCTIONS FROM MAJOR INDUSTRIAL MTN PARTICIPANTS. THE DEGREE TO WHICH THE UNITED STATES MAINTAINS ITS OFFERS WILL DEPEND UPON THE RESPONSES TO THESE TARIFF REQUESTS AND UPON THE OFFERS RECEIVED ON OTHER BARRIERS. FOR TOKYO: WITH REGARD TO JAPAN, U.S. CALCULATION OF RECIPROCITY WILL TAKE INTO ACCOUNT PRINCIPLES SET FORTH IN PARAGRAPH 6 OF STRAUSS/USHIBA STATEMENT.

F. WITH REGARD TO DEVELOPING COUNTRIES AND RECIPROCITY, THE UNITED STATES IS EXPECTING CONTRIBUTIONS CONSISTENT WITH DEVELOPMENT, FINANCIAL AND TRADE NEEDS OF EACH PARTICULAR DEVELOPING COUNTRY (SEE REFTEL B). SUCH LDC CONTRIBUTIONS ARE ESSENTIAL AND IT IS NOW TIME FOR DEVELOPING COUNTRIES TO TABLE THEIR OFFERS OF CONTRIBUTIONS, PARTICULARLY IN THOSE BROAD PRODUCT AREAS IN WHICH THE UNITED STATES HAS ALREADY INDICATED AN INTEREST. MORE SPECIFIC PRODUCT INTERESTS WHERE THE UNITED STATES WILL SEEK CONTRIBUTIONS WILL BE IDENTIFIED AS THE NEGOTIATIONS PROCEED. WE HOPE TO RECEIVE LDC REQUESTS OF THE UNITED STATES, AS WELL AS LDC OFFERS OF CONTRIBUTIONS TO THE MTN, BY MARCH 1 OR AS SOON THEREAFTER AS POSSIBLE.

G. SATISFACTORY PROGRESS ON FRAMEWORK IMPROVEMENT, INCLUDING SUCH ISSUES AS PROCEDURES FOR DISPUTE SETTLEMENT AND TRADE RESTRAINTS TAKEN FOR BALANCE-OF-PAYMENTS PURPOSES, AS WELL AS PROGRESS ON SUPPLY ACCESS ISSUE, IS ALSO AN IMPORTANT CONSIDERATION FOR THE UNITED STATES IN EVALUATING LIMITED OFFICIAL USE
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BENEFITS TO BE DERIVED FROM THE MTN.

3. THE U.S. INDUSTRIAL TARIFF OFFER AFFECTS 4,700 TARIFF LINES OR 40.3 BILLION DOLLARS IN TRADE, AND IF MAINTAINED, WOULD REDUCE THE OVERALL U.S. AVERAGE RATE OF DUTY ON MFN DUTIABLE INDUSTRIAL TRADE BY 45 PERCENT FROM 8.0 PERCENT TO 4.6 PERCENT.

4. IN THE COURSE OF DISCUSSIONS ON THE U.S. OFFER, THE DELEGATION MAY BE ASKED ABOUT THE BENEFIT OF THE U.S. OFFER ON AGRICULTURAL PRODUCTS AND ON NONTARIFF MEASURES TO SPECIFIC COUNTRIES, PARTICULARLY IN CIRCUMSTANCES WHERE THE UNITED STATES HAS NOT FULLY RESPONDED TO SOME REQUESTS OF PARTICULAR COUNTRIES. IN RESPONSE, THE DELEGATION SHOULD

NOTE THAT EACH OF OUR TRADING PARTNERS, IN ASSESSING BENEFITS, SHOULD LOOK TO MORE THAN JUST THOSE ITEMS OR MEASURES FOR WHICH CONCESSIONS WERE SPECIFICALLY REQUESTED AND TAKE INTO ACCOUNT THE BENEFITS WHICH WOULD BE DERIVED FROM THE TOTAL U.S. OFFER. IN DETERMINING WHETHER ADJUSTMENTS TO THE U.S. OFFER ARE WARRANTED IN ORDER TO ACHIEVE RECIPROCITY, TOTAL BENEFITS WHICH ACCRUE TO A COUNTRY AS A RESULT OF U.S. CONCESSIONS WILL BE CONSIDERED.

5. AS NOTED IN REFTEL C, QUESTIONS HAVE ARISEN DURING BILATERALS REGARDING ITEMS ON WHICH THE U.S. OFFER HAS BEEN DEFERRED AND ON OTHER ASPECTS OF U.S. OFFER. THE FOLLOWING ADDRESSES SUCH QUESTIONS.

A. ASP ITEMS: THE EUROPEAN COMMUNITY RECENTLY TABLED A PROPOSAL FOR A UNIFORM INTERNATIONAL SYSTEM OF CUSTOMS VALUATION. WE ARE CAREFULLY EVALUATING THE EC PROPOSAL AND ITS POTENTIAL EFFECTS ON OUR CURRENT VALUATION PRACTICES. IF WE AGREE TO ADOPT A VALUATION SYSTEM SIMILAR TO LIMITED OFFICIAL USE
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THAT PROPOSED BY THE EC, WE WILL HAVE TO ELIMINATE THE AMERICAN SELLING PRICE (ASP). THERE ARE TWO SEPARATE ISSUES ON ASP WHICH MUST BE ADDRESSED IN THE MTN: (1) THE ELIMINATION OF ASP ITSELF, WHICH SHOULD BE HANDLED IN THE CONTEXT OF THE NEGOTIATIONS ON CUSTOMS VALUATION, AND (2) THE QUESTION OF REDUCING TARIFF PROTECTION ON ASP ITEMS, WHICH SHOULD BE HANDLED IN THE CONTEXT OF THE MTN TARIFF NEGOTIATIONS. WE ARE CURRENTLY STUDYING THESE ISSUES AND THE USITC HAS BEEN ASKED TO DETERMINE PROPOSED AD VALOREM RATES WHICH WOULD OFFER TARIFF PROTECTION EQUIVALENT TO THAT NOW AFFORDED TO ASP ITEMS BY VIRTUE OF ASP. ANY TARIFF OFFERS ON ITEMS SUBJECT TO ASP VALUATION ARE NOT EXPECTED TO BE MADE BEFORE JUNE.

B. FINAL LIST: A STUDY OF THE EFFECTS RESULTING FROM THE ELIMINATION OF THE FINAL LIST IS BEING UNDERTAKEN IN CONJUNCTION WITH THE STUDY ON ASP NOTED IN PARAGRAPH 5(A). THUS, ANY MODIFIED OFFERS FOR ITEMS SUBJECT TO FINAL LIST VALUATION ARE ALSO NOT EXPECTED BEFORE JUNE.

C. PENDING IMPORT RELIEF PETITIONS: OFFERS HAVE NOT YET BEEN MADE ON ITEMS WHICH WERE THE SUBJECT OF PETITIONS FOR IMPORT RELIEF PENDING ON JANUARY 1, 1978. IF IMPORT RELIEF IS GRANTED FOR SUCH ITEMS, THEY WILL BE MANDATORILY EXCLUDED FROM NEGOTIATION. IF RELIEF IS NOT GRANTED, ANY APPROPRIATE OFFERS WILL BE MADE AS SOON AS POSSIBLE. WHILE THE UNITED STATES WILL ATTEMPT TO MAKE AS MANY OFFERS AS POSSIBLE, EXTREME DOMESTIC SENSITIVITY TO FURTHER TARIFF REDUCTIONS EXISTS FOR THESE PRODUCTS.

D. CERAMIC TABLEWARE: OFFERS HAVE BEEN DEFERRED FOR MOST CERAMIC TABLEWARE. USITC ADVICE IS BEING REQUESTED ON THE EFFECT OF TARIFF MODIFICATION AND REVISED NOMENCLATURE WHICH ELIMINATES OBSOLETE VALUE CATEGORIES AND CLOSES TARIFF LOOPHOLES. IT IS ANTICIPATED THAT USITC ADVICE WILL BE RECEIVED NO LATER THAN JUNE 1 AND APPROPRIATE LIMITED OFFICIAL USE
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OFFERS WILL BE CONSIDERED THEREAFTER.

E. U.S. TARIFF NOMENCLATURE: AN INTERAGENCY TASK FORCE IS IN THE PROCESS OF REVIEWING ALL TSUS TARIFF LINE ITEMS TO DETERMINE WHETHER THE TARIFF NOMENCLATURE OF CERTAIN ITEMS SHOULD BE REVISED TO MORE ACCURATELY REFLECT CURRENT TRADE AND THE EXTENT TO WHICH THE PRESIDENT HAS THE AUTHORITY TO EFFECT SUCH CHANGES IN THE CONTEXT OF THE MTN. REVISED U.S. TARIFF OFFERS ON ITEMS AFFECTED BY PROPOSED NOMENCLATURE CHANGES WILL FOLLOW COMPLETION OF DOMESTIC ADVISORY PROCEDURES AND INTERAGENCY CONSIDERATION, BUT ARE NOT EXPECTED UNTIL JUNE. IT IS NOT POSSIBLE AT THIS TIME TO PROVIDE THE DELEGATION WITH A LIST OF CANDIDATES FOR NOMENCLATURE CHANGES BECAUSE WE ARE STILL IN THE EARLY STAGES OF THIS ANALYTICAL PROCESS.

F. STAGING AND ROUNDING: AT PRESENT THERE IS NO FURTHER GUIDANCE REGARDING PROPOSED UTILIZATION OF OUR STAGING AND ROUNDING AUTHORITY. BOTH STAGING AND ROUNDING DECISIONS WILL BE EXAMINED IN LIGHT OF FURTHER DEVELOPMENTS IN THE NEGOTIATIONS.

6. TARIFF RATE CONVERSION: THE UNITED STATES IS CONSIDERING CONVERSION OF ALL SPECIFIC AND COMPOUND TARIFF RATES TO AD VALOREM EQUIVALENTS IN ORDER TO ELIMINATE FURTHER EROSION BY INFLATION OF THE PROTECTION PROVIDED BY THE SPECIFIC COMPONENTS OF SUCH RATES. THE USITC IS ALSO BEING ASKED TO DO THESE CONVERSIONS. WE HOPE TO IMPLEMENT ANY CONVERTED RATES AS PART OF AN MTN PACKAGE IN ORDER TO AVOID HAVING TO GO THROUGH AN ARTICLE XXVIII RECTIFICATION/MODIFICATION EXERCISE.

7. IMPROVEMENTS TO U.S. OFFER: REGARDING POSSIBLE LIMITED OFFICIAL USE
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"SWEETENING" OF THE U.S. INDUSTRIAL TARIFF OFFER, THE FOLLOWING POINTS ARE PARTICULARLY IMPORTANT.

A. UNTIL SUCH TIME AS OTHER FORMULA COUNTRIES TABLE DETAILED TARIFF OFFERS SUBSTANTIALLY EQUIVALENT IN SIZE,

SCOPE AND QUALITY TO THE CURRENT OFFER, IT IS NOT APPROPRIATE TO CONSIDER ANY ADDITIONS TO THE U.S. OFFER.

B. AFTER TABLING OF SUCH DETAILED OFFERS BY OUR INDUSTRIAL TRADING PARTNERS, WE WILL CONSIDER SPECIFIC REQUESTS ON PRODUCTS FOR WHICH NO OFFER, PARTIAL OFFERS, OR FORMULA OFFERS WHICH ARE LESS THAN TRADE ACT AUTHORITY, HAVE BEEN MADE. EVEN THOUGH WE ARE WILLING TO CONSIDER SUCH REQUESTS, TRADE ACT AUTHORITY AND DOMESTIC SENSITIVITY WILL LIMIT OUR ABILITY TO RESPOND FAVORABLY. IN ADDITION, SINCE WE HAVE ALREADY OFFERED GREATER THAN FORMULA OR FULL TRADE ACT AUTHORITY CUTS ON MANY ITEMS, WE WILL IN MANY INSTANCES BE UNABLE TO OFFER FURTHER CUTS.

8. U.S. IMPORTS FROM MTN NON-PARTICIPANTS, SUCH AS TAIWAN, WERE NOT INCLUDED IN THE DEPTH OF CUT CALCULATIONS.

9. SEPTELS WILL ADDRESS AGRICULTURAL, C.I.F./F.O.B. AND LEGAL OFFER ISSUES RAISED IN REFTEL C.

10. THIS CABLE WAS DRAFTED AND CLEARED BEFORE RECEIPT OF REFTEL D, FOR WHICH A SEPARATE RESPONSE WILL BE PREPARED.
VANCE

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<< END OF DOCUMENT >>

Message Attributes

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